

Agreed
11/10/84

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SEP 27 1984

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the miscellaneous and mutual corporation act of the State of [REDACTED] or [REDACTED].

You are organized for the purpose of providing administrative services to tax-qualified Trust Funds and related entities, primarily in the plumbing and pipefitting industry in the State of [REDACTED]. You are reimbursed for the costs of administration from the Trust Funds. The Trust Funds for which you provide services are:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining is not a business league.

Revenue Ruling 66-151, 1966-1 C.B. 152, holds that the management of health and welfare plans for a fee by a business league exempt under section 501(c)(6) of the Internal Revenue Code is an unrelated business within the meaning of section 513 of the Code. Providing such services is not an exempt activity within the meaning of section 501(c)(6) of the Code. Since your only activity is providing such services for a fee, you are not carrying out an exempt purpose described in section 501(c)(6), but rather you are engaged in a business of a kind ordinarily carried on for profit.

Revenue Ruling 66-354, 1966-2 C.B. 207, describes an organization established by a collective bargaining agreement between an association of manufacturers and a labor union. It provides administrative services in the receipt and payment of Federal and State employment taxes and the filing of necessary tax returns. It was held that the organization does not qualify for exemption under section 501(a) of the Code as an organization described in section 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(9) or any other section 501(c) of the Code because it does not serve any of the exempt purposes described therein.

Based on the information submitted, and the Revenue Rulings cited above, we hold that you are not an organization described in section 501(c)(6) of the Code. Your activities are not directed to the improvement of the business conditions of one or more lines of business. Instead, you provide administrative services to your members for a fee, which is an activity similar to a regular business carried on for profit.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file income tax returns on Form 1120, annually, with your District Director.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 601c. Please note the instructions for signing on the reverse side of this form.

[REDACTED]

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

[REDACTED]

District Director

Enclosures:
Publication 892
Form 6018

[REDACTED]